

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)

of)

MOLOKAI PUBLIC UTILITIES, INC.)

For review and approval of rate)
increases; revised rate schedules; and)
revised rules.)

Docket No. 2009-0048

PUBLIC UTILITIES
COMMISSION

2009 NOV 23 P 2:25

FILED

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

and

CERTIFICATE OF SERVICE

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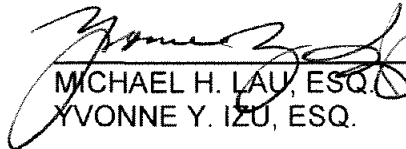
BEFORE THE PUBLIC UTILITIES COMMISSION
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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
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INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

COMES NOW, MOLOKAI PUBLIC UTILITIES, INC., by and through its attorneys,
Moriwara Lau & Fong LLP, hereby submits its Responses to West Molokai Association's Initial
Information Requests consistent with the Stipulated Regulatory Schedule (Exhibit "A") contained
in the Stipulated Prehearing Order, filed on November 6, 2009.

DATED: Honolulu, Hawaii, November 23, 2009.



MICHAEL H. LAU, ESQ.
YVONNE Y. IZU, ESQ.

Moriwara Lau & Fong LLP
Attorneys for MOLOKAI PUBLIC UTILITIES, INC.

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

I. 100-SERIES: ECONOMICS/NORMALIZED DEMANDS FOR WATER

WMA-IR-101 Provide all data in MPU's possession, regarding total water volume sold by MPU, by month and by each tariffed category of service (e.g. 5/8, "1," etc.), for years 2004 through 2008.

RESPONSE: The Company is working to accumulate the data to provide a response, but will not be able to do so until the week beginning November 30, 2009.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-102

It appears that the difference between the volume of water pumped and the volume of water which MPU bills customers suggests a loss approximating 24%. Indicate as accurately as possible the volumes of water "missing" which are delivered to the Department of Hawaiian Homelands, taken by MIS, and physical losses of water, identifying with as much precision as possible the location of the major losses of water. Also, indicate the volume of water transferred to Waiola O Molokai ("WOM") on an annual basis, for years 2004 through 2008.

RESPONSE:

No MPU water is delivered to DHHL. 10% of the water delivered through the MIS is retained by MIS as part of the charge for using their system. There is approximately 8% to 10% used at the Puu Nana Water Treatment Plant ("PWTP"). The remaining difference would be attributed to normal system losses and unaccounted for items.

SPONSOR:

Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-103 Provide the capacities of the following components of MPU's utility system:

- Pumping capacity, for each functioning pump.

RESPONSE: Well 17 pump capacity at 2.3 million gallons per day

Mahana 500hp pump capacity at 1.1 million gallons per day

- Storage capacity, for each reservoir.

RESPONSE: Puu Nana raw water reservoir capacity at 7 million gallons

Puu Nana clearwell capacity at 400,000 gallons

Maunaloa Reservoir capacity at 2 million gallons

Puuokoli Tank capacity at 2 million gallons

- Capacity of transmission and distribution lines (water at maximum flows, and static capacity).

RESPONSE: The Company does not have the requested data and therefore cannot provide a response to this portion of the request.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-104 Provide the date and status of negotiations between WPU (or any of its affiliated companies on behalf of MPU) and Molokai Irrigation System ("MIS") with regard to fees being paid, water being delivered to MIS, or other compensation, and provide all correspondence between the negotiating parties, providing this record an accurate depiction of the status of negotiations between MPU's interests and MIS's interest.

RESPONSE: Negotiations and agreements for use of the MIS are conducted with the State Department of Agriculture, the owner of the MIS. See Response to CA-IR-6.

SPONSOR: Robert O'Brien/Peter Nicholas

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-105

Kualapuu Bulk Sales Arrangement.

- a. Is there any written contractual relationship between MPU and WOM for this service? If no, why? If yes, provide copy.

RESPONSE:

There is no written agreement between MPU and WOM for this service. The Company is providing service based on its tariff rate.

- b. Why has a fixed monthly charge not been included in the rate structure for this account?

RESPONSE:

There is no fixed monthly charge because the sale is made under a bulk rate which did not contain a fixed monthly charge. Such an arrangement was approved in the Company's last rate case.

- c. When will an analysis of the actual cost of providing this service, in terms of both fixed and variable components, be submitted for the record in these proceedings?

RESPONSE:

The Company has not prepared and does not plan to prepare and submit such a document.

- d. When will an audited "arms length" accounting of the proposed financial arrangement between two wholly-owned subsidiaries of MPL be submitted for the record in these proceedings?

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES TO WEST MOLOKAI
ASSOCIATION'S INITIAL INFORMATION REQUESTS OF WEST MOLOKAI
ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-105 (cont.)

RESPONSE: See response to part "c" above.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-106 Provide a detailed explanation of the actions taken by MPU to identify the location and to remedy the physical loss of water through leakage, broken pipes, loose fittings, and other losses being experienced by MPU, on MPU's side of the meters.

RESPONSE: MPU utility crew repairs pipes and leaks on an as needed basis. For example, when leaks arise or when the utility crew notices items that need repair, they will then prioritize the repairs and complete them. When there is evidence of significant water loss or pressure loss, the utility crew goes out to try to locate the problem and establishes procedures to repair it.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-107 Provide the calculations and formulas relied upon by MPU to determine the cost of the water delivered by MPU to WOM.

RESPONSE: MPU is currently charging WOM \$2.78 per thousand gallons ("TG") delivered from the Water Treatment Plant. The \$2.78 per TG has been charged by MPU since December 2008 when MPL ceased operations and the accounting changed to provide for direct charges from MPU as described in response to CA-IR-44a. The \$2.78 rate per TG has been in effect since September 2008 when the temporary rates authorized by the Commission in Docket No. 2008-0115 effective September 1, 2008. Prior to that time WOM was charged \$1.00 per TG. The increase from \$1.00 per TG to \$2.78 per TG was based on the increase provided for WOM by the Temporary rates which increased WOM rates for water service from \$1.85 per TG to \$5.15 per TG. This increase of 2.78 percent was multiplied by the \$1.00 which resulted in the existing \$2.78 per TG rate. The Company does not have data to support the \$1.00 per TG rate which was in effect since 2004 but believes it was estimated to allow for MPU to recover the costs of the treatment process for the water delivered by WOM for treatment at the WTP and then delivered to WOM.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-108 Provide the calculations, formulae, and data relied upon by MPU to allocate the capacity costs and portions of the plant owned by MPU (or MPL, and ostensibly leased to MPU) in order to ensure that WOM's system is paying its fair share of capacity costs and other fixed costs incurred by MPU in order to deliver water to WOM's utility water system.

RESPONSE: MPU, which is the owner of the water treatment plant ("WTP"), does not charge WOM for capacity at the WTP. The Company believes that the current rate of \$2.78 per TG permits it to recover the costs associated with the treatment of WOM water delivered for treatment and then delivered to WOM.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-109 If residential parcels of land in the MPU service area were completely built out, indicate how the existing system would have to be expanded, if at all, in terms of each of the components set for in WMA-IR-102.

RESPONSE: The Company has not made any calculations related to a build-out of its entire service area and therefore does not have the data to respond to this request.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-110 Provide MPU's best estimate to the best of MPU's ability, the changes in capacity of MPU's transport system (transmission lines, storage, pumps), assuming the demand for potable water in WOM's service area were significantly increased (assume 20% over 2004 levels) WOM's.

RESPONSE: The Company has not made the calculations requested and therefore does not have the data to provide a response to this request.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-111 In Re: Exhibit MPU 4. Break down with greater specificity the consumption (i.e. gallons per month) of each of the "customer classification/base levels," providing consumption for each and all of the condominium, apartment, and subdivision complexes.

RESPONSE: The data on Exhibit MPU 4 reflects the Company's tariff data at present rates and does not provide customer consumption data. Further, since the Temporary Rate Relief Order was issued, the Company has not maintained consumption data by meter size or customer classification.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-112 Explain the apparent discrepancy between the number of customers suggested as 211 (Refer, Exhibit MPU 11) versus the purported number of customers, as indicated on Exhibit MPU 11.1.

RESPONSE: The average number of customers for the test year ended June 30, 2010 shown on Exhibit MPU 11 in column 2 on lines 1 to 8 is 214. This is the same number of customers reflected on page 3 of 3 of Exhibit MPU 11.1 on lines 40 to 46 in column 5. The customer numbers on Exhibit MPU 11.1 lines 37 to 39 do not represent metered customers of MPU. Those are simply designations from the monthly billing summaries and should not have been brought forward from the historic periods to the test year.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-113

What is the date of the shutdown of the golf course?

RESPONSE:

The most recent shut down date of the golf course was in April
2008.

SPONSOR:

Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-114

What is the date of the shutdown of the hotel?

RESPONSE:

The most recent shut down on the hotel was in 2001.

SPONSOR:

Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-115 What amount of irrigation, in thousands of gallons per month, was conducted by the golf course, subsequent to golf course operations, but prior to ceasing all irrigation?

RESPONSE: There was no irrigation of the golf course subsequent to the shut-down of operations.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-116 What is the date the golf course ceased all irrigation efforts, and
effectively ceased being a customer of MPU?

RESPONSE: See response to WMA-IR-113.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-117 Provide the total number of residential land parcels in MPU's service area, the number of parcels metered, and the number of improved parcels where residents are users of MPU's services. Also, how many of the original total of parcels remain unsold?

RESPONSE: MPU does not have current information regarding the number of parcels in the detail requested. The number of MPU customers in the test year is projected to be approximately 214 per month as shown on Exhibit MPU 11, column 2, lines 2 to 8. The Company does not maintain a listing of parcels that are unsold or break out parcels receiving service as improved or otherwise.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-118 Identify the revenue received from fire hydrant billings and the entities actually billed. If none, explain.

RESPONSE: The Company does not receive any revenue for fire hydrant billings. The Company has not billed any entity for fire hydrant usage.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-119

Please explain the methods used to monitor/reconcile the two metered water flows (MIS and Mountain Water System) into the raw water reservoir(s) at Puunana with the metered water flows delivered to MPU and WOM customers. More specifically, show how water transfers are controlled to ensure that the quantity of water removed from Well 17 in any given time interval actually correlates with the metered quantity of water delivered to MPU customers over the same time interval. In addition, please provide a historical record of such product accountings.

RESPONSE:

The methods used to monitor water pumped, delivered and transferred to MPU and WOM is with flow meters. Inflow to Puunana raw water reservoir is Mahana pump meter and Mountain flow meter. Outflow to MPU is measured by one meter and outflow to WOM is measured by two meters, all coming out of Maunaloa Reservoir. The historic data for the period July 1, 2007 to October 31, 2009 is contained on Attachment WMA-IR-119.

SPONSOR:

Robert O'Brien

**ATTACHMENT
WMA-IR-119**

Attachment WMA-IR-119
Docket No. 2009-0048

MPU
Water Flows At Puunana and Maunaloa Reservoir

Month	Year	Raw Water Total Input to Puunana		Finished water Total out of Maunaloa Reservoir		
		Mahana Pump	Mountain	Manuwainui	Maunaloa	Kaluakoi
July	2007	13,297	10,031		2,470	16,390
Aug		33,359	1,178		2,447	24,314
Sept		31,625	392		2,743	19,501
Oct		33,254	478		2,390	25,758
Nov		22,556	338		2,641	17,420
Dec		18,333	249		2,159	12,121
Jan	2008	21,731	149	575	2,669	14,652
Feb		27,104	94	952	2,373	16,192
Mar		32,347	500	421	2,810	24,312
Apr		22,075	34	364	1,635	15,252
May		19,776	59	505	1,732	13,970
June		17,528	25	415	2,243	12,405
July		20,284	40	386	1,891	13,795
Aug		20,785	763	413	2,129	14,456
Sept		14,173	5,742	214	1,651	14,883
Oct		14,163	6,759	649	1,536	14,061
Nov		10,996	3,079	327	1,401	8,469
Dec		11,067	1,037	358	1,450	7,241
Jan	2009	8,819	757	444	1,124	5,500
Feb		10,062	1,992	424	1,333	7,444
Mar		13,527		183	2,254	9,710
Apr		11,345	3,575	116	2,159	11,563
May		14,015	3,063	683	2,249	11,428
Jun		15,831	3,276	38	2,598	11,860
Jul		16,187	3,924	263	2,479	13,960
Aug		15,938	3,543	26	2,770	11,777
Sep		15,593	3,672	222	2,673	13,173
Oct		17,018	3,975	223	2,560	13,688
Nov						

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

II. 200-SERIES: FINANCE AND ACCOUNTING

WMA-IR-201 Provide MPU's "Chart of Accounts," defining the accounts for both MPU and WOM, and explain how each item in each account has been allocated between the two separate utilities, for all items where costs are jointly incurred.

RESPONSE: The Company is working to accumulate the data to provide the information requested, but will not be able to provide a response until the week beginning November 30, 2009.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-202 Explain in detail how costs common to both MPU and WOM are initially entered on MPU's ledgers.

RESPONSE: See response to WMA-IR-201.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-203 Please state the last date in which negotiations were conducted between MPU (or other MPL affiliate) and DHHL, with regard to the amount of water MPU delivers to DHHL homesteaders.

RESPONSE: MPU, as a normal course of business, does not provide water to DHHL or its customers. Other than the discussions regarding the supply of emergency water conducted in November 2009 following the failure of DHHL's two wells, there have been no negotiations for the supply of water to water to DHHL or the DHHL homesteaders.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-204 With regard to the accounting of cash, provide all recorded accounting from all accounts MPU shares in common with either MPL, or other affiliated companies (e.g. KWC, KLC).

RESPONSE: MPU does not share any common cash accounts with MPL or other affiliates.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-205

For years 2004 through 2008, indicate the revenues booked for each sub category of service, as depicted in MPU's tariff schedules, including but not limited to deposits, water consumption charges, conservation charges, standby charges, per hydrant private fire protection rates, per standby private protection rates, and in-diameter feed mains, monthly water availability charges, contribution for tap-ins, reconnection fees, bulk water sales, and temporary fire hydrant water usage, all for 2008. Indicate how each sub-category of revenues was booked in MPU's ledgers for 2008.

RESPONSE:

The Company has not maintained its accounting records in a manner that would provide the data requested in the form requested. In order for the Company to provide the data requested it would have to manually summarize the individual customer billing records for each transaction for each month, which would be unduly burdensome. The Company is willing to provide those records for use at the Company's office, with the proper confidentiality agreements in place, so the WMA can develop the summaries of the data as requested.

SPONSOR:

Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-206 Explain the apparent inconsistency between Exhibit MPU 2, Schedule 6, indicating "no promissory notes, bonds, or other indebtedness," and the statement that "as of December 31, 2008, due to MPL and affiliates amounts to \$3,645,969." (Refer, MPU, 2, Schedule 4 – Audited Financial Statements.)

RESPONSE: There is no inconsistency. The \$3,645,969 represents intercompany advances from MPL and affiliates to/from MPU and are not promissory notes, bonds, etc.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-207 In Re: Exhibit MPU-2, Schedule 4. This exhibit states: "In 2008, the company recorded water sales of \$166,273 to affiliated entities. Provide the names of the entities, the volumes, for each entity, by month, for 2008.

RESPONSE: We are working with the auditors to provide the information requested, but will not be able to provide a response until the week beginning November 30, 2009.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-208

In Re: "Statement on Liquidity," (Exhibit MPU 2, Schedule 4). MPU apparently is being managed on a "annual cash flow" basis. Further, "MPL will provide financial support, as needed, to ensure future financial viability of the company, and until rate relief is forthcoming from MPU's applications for rate increases from the PUC." Assuming MPL will provide cash for ongoing operations, is MPL/MPU agreeable to economic regulation for the foreseeable future, on a "cash flow" basis?

RESPONSE:

As far as MPU is aware, it does not have an option on the method by which it will be regulated by the Commission in the State of Hawaii. However, if a utility were to be managed on a "cash flow" basis, it would have to provide for sufficient "cash" availability and working "cash" to enable the utility to pay its employees, vendors and other suppliers as well as provide for the plant expenditures as needed. In addition, there would have to be a procedure for special "cash" charges to provide for recovery of emergency cash expenditures to make repairs and restore service after earthquakes or other natural disasters damage the water system. In addition, cash would have to be provided to fund expansion required in its system and also for expenditures to comply with governmental agency mandates. In general, a utility will be unable to operate and

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-208 (cont.)

provide service to customers if it is unable to fund expansion or to replace assets on a timely basis because it does not have surplus cash flow at some point in its current operations.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-209 Given the audited financial report indication that MPU's original cost of property, undepreciated is \$1,680,419, is it a correct to assume that all dollar values shown on the depreciation scheduled Exhibit MPU-3 are erroneous, and thus are not to be relied upon by MPU and the parties to this case?

RESPONSE: It is incorrect to assume that the plant and related accumulated depreciation balances shown on Exhibit MPU-3 are erroneous. The major reason for the difference is that the audited financial report did not include the approximately \$5 million of fully depreciated plant which was recorded on MPU's accounting statements as a result of the Company's latest rate case.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-210 Given the same assumption as indicated in WMA-IR-208, is it correct that Exhibit MPU-9 and Exhibit MPU-9.1 are being at variance to audited financials, will not to be relied upon by MPU and other parties in this proceeding?

RESPONSE: See response to WMA-IR-209.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-211 Please separate each accounting line item, or component thereof, into fixed and variable expense categories and describe the rationale for such assignments/allocations.

RESPONSE: The Company has not prepared and therefore cannot provide a separate accounting for each line item or component thereof, into fixed and variable expense categories.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-212

In Re: Workpaper MPU 10.2, Page 3 of 5.

- a. Explain the entry of 138,000 TG on line 1 instead of the 112,000 TG value described in Mr. O'Brien's testimony. (See page 37 of 44, lines 15 through 19.)

RESPONSE:

The entry on line 1 should be the 112,000.

- b. The entry of 15.8% for lost and unaccounted (L&U) water on line 2 is based upon data for the 12 months ending March 2007 per Mr. O'Brien's testimony (see page 24 of 44, lines 13 through 15). Why is this estimate based upon data that does not represent test year conditions? Please provide another estimate based upon more recent data, together with the data files and calculations.

RESPONSE:

The data for the 12 months ending March 2007 was the most recent date where this data was available at the time the testimony and filing was prepared. The Company is not aware of any changes that would significantly impact on the calculations since that time.

- c. Why are the losses through the treatment plant (22.6% entry on line 4) so large? Restated, the treatment plant losses represent about 16.3% of the total volume of water lifted

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-212 (cont.)

from the MIS through the Mahara Pump Station
[(31,186/190,922) x 100%]. Explain.

RESPONSE:

The water losses are due to losses in the transportation and storage activities that occur between the water delivered from the MIS and the delivery to the water treatment facilities.

- d. Explain the entry of 18,000 TG on line 12 instead of the 26,000 TG value described in Mr. O'Brien's testimony. (See page 36 of 44, lines 20 through 22.)

RESPONSE:

The entry on line 12 should be 26,000.

- e. Explain the relevance of lines 13 and 14. L&U water beyond the metered point of connection are already included in the test year proforma usage value of 26,000 TG.

RESPONSE:

Lines 13 and 14 show the difference between the water pumped at Well 17 and the combination of the water delivered to WOM at the Kualapuu connection plus the reading of the water delivered to MIS.

SPONSOR:

Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-213

In Re: Workpaper MPU 10.2, Page 1 of 5.

- a. How was the value of 600,000 kwh shown on line 1 actually determined? It is not consistent with the result one would obtain using the same estimating rationale employed for test year water usage (see page 37, lines 15 through 19 of Mr. O'Brien's testimony). Total electric energy consumption for the last six (6) months of 2008 was 244,000 kwh, as per page 2 of 5, column 2. Using the same rationale, the proforma usage would be estimated as 463,600 kwh ($2 \times 244,000 \text{ kwh} \times 0.95$).

RESPONSE:

The 600,000 gallons was estimated based on the decrease in the kWh usage between the year ended June 30 2007 and 2008 and the continued decrease in the months from July 2008 to December 2008. The Company has not measured or determined that there is a one-to-one relationship of kWh usage to the water sales. However, if the same rationale was used for both water sales and kWh usage at the Mahana pump station, the approximate usage would be 463,000 kWh.

- b. Explain the relevance of Puunana electric charges to MPU's operations. If this meter is applicable to water transfer and

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-213 (cont.)

treatment plant equipment, then said charges should be allocated between MPU, WOM (and MPL?) since raw (untreated surface) water flows are combined prior to treatment.

RESPONSE:

The electric usage at the Puu Nana pump is reflected on MPU's accounts in total. MPU bills WOM for treated water provided to WOM and therefore it is correct to reflect the electric charges for the Puu Nana pump as expenses on the MPU accounts.

- c. Explain the relevance of Palaau electric charges to MPU's operations.

RESPONSE:

The Palaau electric charges are for the Palaau pump that is required to circulate water flow in that section of the Company's service territory.

SPONSOR:

Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

III. 300-SERIES: PLANT-IN-SERVICE

WMA-IR-301 Facilities Description. Provide a detailed description of the installed facilities used to pump, transfer, treat, store and distribute water to MPU's customers--with emphasis on the portion of the system from the point of connection to the MIS near the Mahana Pump Station downstream to the several storage reservoirs and pipelines serving MPU's retail customers. Please include:

- a. Location of every major component on a scaled map.

RESPONSE: See Attachment CA-IR-6a (Part B) for a map denoting location of major components of system.

- b. A brief statement as to the purpose and function of each major component.

RESPONSE: 1- Well 17 pumps water out of ground and delivers water to MIS.

2- Mahana Pump takes water out of end pipe of MIS system and pumps water up the hill to Puunana Reservoir.

3- Puunana Raw Water Reservoir is where Mahana water and Mountain water is blended before treatment.

4- Puunana Water Treatment Plant is where all water is treated and distributed as finished potable water.

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-301 (cont.)

5- Maunaloa Reservoir is the final reservoir of which it then gets split and metered to Kaluakoi and Maunaloa.

6- Puu Okoli Tank is the final storage tank that delivers water to the distribution system of Kaluakoi.

- c. Physical parameters/attributes of each major component (i.e., sizes, dimensions, capacities, construction materials, etc.).

RESPONSE:

1- Well 17, Diesel CAT 3412 engine that pumps 2.3 MGD or 1600 GPM

2- Mahana Pump, 500hp electric booster pump that pumps 2200 GPM

3- Puunana Raw Water Reservoir is a 7 MG open storage reservoir

4- Puunana Water Treatment Plant consist of 3 US Filter Trimite filter trains rated at max flow of .5 MGD production flow each (1.5 MGD total output).

5- Maunaloa Reservoir is a 2 MG covered storage reservoir.

6- Puu Okoli Tank is a 2 MG sealed concrete tank.

- d. Engineering (construction) drawings/specifications, installation/commissioning photographs, as well as any other

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-301 (cont.)

photographs, documents etc., that would clarify the system description.

RESPONSE:

The Company does not have documents that would provide additional clarification to the descriptions of the major facilities provided in the responses to parts a, b, and c above, and, therefore, cannot provide any additional data.

- e. Dates of original construction, improvements and rehabilitation.

RESPONSE:

The basic plant, with the exception of the 2006 improvement in the WTP and the improvements made to Well 17, was constructed in 2005. The WTP was constructed in 2006. The Well 17 work was conducted and completed in 2007

- f. Present condition of each major component, known problems and estimated useful life remaining.

RESPONSE:

Based on the Company personnel's knowledge from working with the existing plant used to serve MPU's customers, the Company believes that each major component is in satisfactory condition to provide continued service to its customers. The Company is not aware of any major problems with any of the major components. The Company has not made an estimate of the remaining useful life of the

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-301 (cont.)

major components, except for the WTP which has a depreciable life of 20 years and the repairs to Well 17 which has a depreciable life of 10 years.

- g. Legal owner(s) of each major component and underlying land or recorded easement.

RESPONSE:

Each of the components listed in part b and c, above, are owned by the Company, except for the Puu Nana Raw Water Reservoir, which is owned by Molokai Properties, Limited ("MPL"). MPL also owns the land underlying these components, except that the land underlying the Puu Okoli water tank is owned by the Company.

- h. Cross reference to corresponding asset in depreciation schedule, lease contract with legal owner, or other financial arrangement.

RESPONSE:

The assets listed in part "a" above are reflected on Exhibit MPU 9.4 (depreciation Schedule) as follows:

- Well 17 – Line 1 (second); Line 5, Line 13, Line 14 Line 20 and Line 22
- Mahana Pump Station – Line 2 and Line 19
- Puunana Raw Water Reservoir – Line 1 (first)
- Puunana Water Treatment Plant – Line 11

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-301 (cont.)

- Maunaloa Reservoir – Line 1 (first)
- PuuOkoli Tank – Line 1 (first)

There are no leases, contracts or other financial arrangements between MPL and the Company with respect to these components.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-302 Explain the apparent discrepancy in the original "plant-in-service" line on the MPU's initially filed application's Balance Sheet, on the one hand, with the original cost of "plant-in-service" line on the audited Balance Sheet in the June 29, 2009 MPU Application.

RESPONSE: The main difference between the \$6,627,267 for plant in service in the December 31, 2008 balance sheet included as Exhibit MPU 2-5 of the initial filing and the plant in service shown on the audited balance sheet of \$1,680,419 is the fully depreciated plant in the amount of \$4,931,896, which is recorded on the Company records but was removed from plant in service and accumulated depreciation on the audited balance sheet. The remaining difference of \$14,952 is the result of another audit adjustment which the Company has requested information about, but has not received additional details from the auditors. MPU will provide an explanation for this difference when the data is received from the auditors

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-303 Please identify the water assets rented from MPL at the cost of \$430.00 per month as shown in Exhibit 2, Schedule 5, line 16. Are these costs included in Exhibit MPU 10?

RESPONSE: The \$430 per month charge is calculated for MPU's share of costs recorded on MPL records for certain maintenance equipment, fencing around certain reservoirs and portions of the water treatment plant and the structure at Well 17. The \$430 was not included in the test year expenses reflected in Exhibit MPU 10.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

IV. 400-SERIES: OPERATIONS AND OPERATING EXPENSES

WMA-IR-401 Facilities Operation. Describe the operation and maintenance of MPU's facilities during a typical interval—with emphasis on water transfers from the MIS through the treatment plant and on to the several storage reservoirs/tanks. Since the system does not require staffing on a 24/7 basis, it is important to have a sense of the practices, procedures and schedules typically used to pump, treat and transfer water in bulk quantities as well as those controlling routine maintenance of the company's assets. More specifically, identify and describe those operations that are:

- a. Conducted routinely on some sort of repetitive schedule.

RESPONSE: All routine Company operation and maintenance activities are done on a daily or as needed basis consistent with the Company's workforce load and system requirements. All emergencies are responded to by proper on-call staffing callouts.

- b. Limited to a particular day or time period (such as Mahana pump runs during MECO's off peak hours).

RESPONSE: Run times on the Mahana pump are manually set in the pump control panel to initiate automated start and stop times. Other facilities are also set for operations on an as

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-401 (cont.)

needed basis and are routinely monitored by Company personnel.

- c. Batch transfers, processes or actions conducted on a demand or "as required" basis. For these, identify the range of typical batch sizes and/or processing time intervals.

In addition, identify whether the actions are accomplished automatically without human intervention (i.e., by time clock or other controls) or manually.

RESPONSE: All batch chemicals are batched manually on a daily basis in accord with operational requirements. In addition, Company personnel check and verify the accuracy of the operations and respond to auto alarm systems as needed. There is an on-call employee assigned to monitor the plant operations.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-402 Moana Makani Bypass. Describe the Moana Makai Bypass in detail. Please provide complete information regarding:

- a. The purpose/function of these facilities, the reason(s) for the installation and the installation time frames.

RESPONSE: The new distribution line to the Company customers in the Moana Makani area was constructed by the Company in 2004 to replace the then existing water line which was not providing satisfactory water quality to customers in the Moana Makani area. This line has been referred to as the Moana Makani Bypass line.

- b. The location of all components on a scaled map.

RESPONSE: The Company does not have a scaled map that would show the location of all components and therefore cannot provide one in response to this request.

- c. The physical characteristics of all major components (i.e., types, sizes and lengths of pipe runs, control valves, meters, etc.).

RESPONSE: This distribution line consists of approximately 5,000 feet of 4-inch or 6-inch pipe which delivers water from Maunaloa to the top of the entrance to Kaluakoi where it is delivered to

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-402 (cont.)

the Moana Makani customers through the existing distribution and service lines.

- d. Engineering (construction) drawings/specifications, installation/commissioning photographs, as well as any other photographs, documents etc., that would clarify the system description.

RESPONSE:

The Company does not have the engineering drawings, etc. requested.

- e. The identification of all parcels/properties presently served by the Moana Makani Bypass facilities and all additional parcels/properties that would be served by these facilities at ultimate build out.

RESPONSE:

The Company currently provides service to 11 customers in the Moana Makani area. The Company has not made a specific count of the additional parcels/properties that could possibly be served in the Moana Makani area and therefore does not have the information to provide a response to this request.

- f. Estimated water usage for the test year together with historical consumption data for the last 5 years.

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-402 (cont.)

RESPONSE: Attachment WMA-IR-402f provides water usage metered at the Moana Makani location monthly from January 2006 to October 2009.

SPONSOR: Robert O'Brien

**ATTACHMENT
WMA-IR-402f**

MPU
Moana Makani Meter Readings

	Moana Makani Meter		
	Beginning	Ending	Water
	Reading	Reading	Pumped
Jan-06		45723800	
Feb-06	45723800	46692900	969,100
Mar-06	46692900	47400800	707,900
Apr-06	47400800	48142800	742,000
May-06	48142800	49015000	872,200
Jun-06	49015000	50028800	1,013,800
Jul-06	50028800	51061900	1,033,100
Aug-06	51061900	52103600	1,041,700
Sep-06	52103600	53096900	993,300
Oct-06	53096900	54185100	1,088,200
Nov-06	54185100	54993500	808,400
Dec-06	54993500	56128500	1,135,000
Jan-07	56128500	57626800	1,498,300
Feb-07	57626800	58694800	1,068,000
Mar-07	58694800	59827300	1,132,500
Apr-07	59827300	61060900	1,233,600
May-07	61060900	62680900	1,620,000
Jun-07	62680900	63935800	1,254,900
Jul-07	63935800	64988400	1,052,600
Aug-07	64988400	66047400	1,059,000
Sep-07	66047400	67276700	1,229,300
Oct-07	67276700	68745300	1,468,600
Nov-07	68745300	70014400	1,269,100
Dec-07	70014400	71361700	1,347,300
Jan-08	71361700	72657200	1,295,500
Feb-08	72657200	74068900	1,411,700
Mar-08	74068900	75449600	1,380,700
Apr-08	75449600	76918300	1,468,700
May-08	76918300	78227600	1,309,300
Jun-08	78227600	79739600	1,512,000
Jul-08	79739600	81179000	1,439,400
Aug-08	81179000	82816500	1,637,500
Sep-08	82816500	83974500	1,158,000
Oct-08	83974500	84691700	717,200
Nov-08	84691700	85276500	584,800
Dec-08	85276500	85685700	409,200
Jan-09	85685700	86106500	420,800
Feb-09	86106500	86567100	460,600
Mar-09	86567100	87102200	535,100
Apr-09	87102200	87727300	625,100
May-09	87727300	88459500	732,200
Jun-09	88459500	89209800	750,300
Jul-09	89209800	90102700	892,900
Aug-09	90102700	90769000	666,300
Sep-09	90769000	91666500	897,500
Oct-09	91666500	92708900	1,042,400
Nov-09	92708900		(92,708,900)

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-404 Provide the copy of the Lease Agreement MPU (or MPL) has with the Hawaii Department of Agriculture, regarding use of the MIS system.

RESPONSE: See Attachment CA-IR-6e (Part B).

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-405 Historically, MPU has paid monies to the State of Hawaii Department of Agriculture, for water usage, which amount is estimated to be \$12,000 per month for the test year. Explain the contractual basis for the projected amount to be paid.

RESPONSE: See Response to CA-IR-6e.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-406 In Re: to Exhibit MPU 2, Schedule 4, Page 4. It appears that MPU paid MPL \$214,640 for water. However, the owner of the well is indicated as Kaluakoi Water Company. Please Explain the entry.

RESPONSE: The \$214,640 shown as Cost of Sales on the fourth page (page numbered 3) of Exhibit MPU 2, Schedule 4 does not represent payment from MPU to MPL for water. This amount, \$214,640 is the total charge from MPL to MPU for services for the 12 months ended December 31, 2008. The equivalent amount for the 12 months ended June 30, 2008 is \$247,078 as shown on Exhibit MPU 10.4, line 21, column 6 which includes expenses for salaries and wages, employee benefits, payroll taxes, electricity, etc. These charges were made using accounting procedures that were in place from July 1, 2005 to November 30, 2008 as described in the testimony of Robert L. O'Brien on pages 17-19 and also in response to CA-IR-4a.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-407 How are treatment plant chemical costs, labor charges, depreciation expenses, etc., allocated between MPU and WOM? Identify corresponding entries in the two rate applications.

RESPONSE: The expenses listed above in the request were not allocated between MPU and WOM. As a general rule, expenses were directly charged to each utility based on the use of the commodity or service. For example, labor charges were directly charged to each utility based on the time charged by each employee. Employee benefits and payroll taxes were distributed based on the labor charges. Other expenses, such as electricity, repairs and maintenance, materials and supplies, etc. were also charged directly whenever possible. Where expenses were allocated to the utilities, such as insurance and charges from MPL operations, they were allocated on a basis that was specifically related to the expense. For example, insurance was distributed using plant or other component being insured.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-408 Please correct entries in Exhibit MPU 10.4, column 7 as appropriate. For example, should Exhibit 10.13 be changed to Exhibit 10.11?

RESPONSE: The references on Exhibit MPU 10.4 in column 7 appear to be accurate. Exhibit MPU 10.11 referenced on line 13 is for insurance expense which is contained on Exhibit MPU 10.11. Exhibit MPU 10.13 referenced on lines 15 through 19 includes expenses for travel (line 15); postage (line 16); communications (line 17); administrative (line 18) and other (line 19) expense which are the same expenses shown on Exhibit MPU 10.13 lines 12 through 16 respectively.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

V. 500-SERIES: ALLOCATIONS OF EXPENSES, PLANT, AND CAPITALIZED COSTS

WMA-IR-501 In Re: Exhibit MPU 11. For purposes of allocation, is it correct that water is delivered to Waiola, at two different points: (a) at the Kualapuu Tap, and (b) at the water purification facility? If "yes," is it correct that the apparent allocation based upon water flow would be 81.6% MPU (112,00/138,000) and 18.84% WOM (26,000/138,000)?

RESPONSE: While the assumption that water is delivered to WOM at two locations is correct, the assumption regarding the allocation above is not correct. The 26,000 gallons of water delivered at the "Kualapuu Tap" is the water usage shown on Exhibit MPU 11 on line 11 as "Water Delivered to Wai'ola at Kualapuu Tap". The water provided to Wai'ola at the WTP is not shown on Exhibit MPU 11, which contains only sales under the Company's regulated tariff.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-502 In Re: Exhibit MPU 10.4. For each of the charges to MPU by MPL (i.e. Account No. 610), please indicate (for items numbered 6 through 19) if the amounts indicated are pre or post- allocation, and if so, how were such amounts allocated between or among MPL, MPU, WOM, Kaluakoi Land Company, and Kaluakoi Water Company?

RESPONSE: As described more fully in the response to CA-IR 44a, those amounts are mostly direct charges to MPU. In instances where an allocation was required, the allocation was made prior to those amounts being charged to MPU.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-503 What allocator between MPU and WOM, for potable water exiting
the purification facility.

RESPONSE: There is no allocator. WOM is charged for water on a per thousand
gallon basis from readings at a meter.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-504 In Re: to Exhibit MPU 2, Schedule 4, Page 4. It is indicated that the total allocated costs amount to \$48,763. Going beyond the detail in Note 5, describe how this amount was derived [other than statements that it was salaries and wages (\$15,939), fuel (\$7,558), and "other" (\$25,266)].

RESPONSE: We are working with the auditors to provide the information requested, but will not be able to provide a response until the week beginning November 30, 2009.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-505

Labor costs in Workpaper MPU 10.1 are allocated entirely to MPU, WOM and MOSCO. However, the labor distribution reported for October 2008 (Monthly Report filed on November 28, 2008 in PUC Docket 2008-0115) shows corresponding labor costs allocated to six entities (MPU, WOM, MOSCO, MPL Potable, MPL Sewer and MPL Mountain) - - with approximately 50% of the total allocated to the three MPL entities. Please identify the employees/contractors that will operate and maintain the three MPL entities during the test year, and provide a detailed financial accounting of all cost elements required to operate and maintain said private utilities, independent of MPU, WOM and MOSCO. Clearly, all labor costs and other expenses applicable to MPL's private utilities must be separated from those pertaining to the three regulated public utilities.

RESPONSE:

The above apparent discrepancy is simply a matter of distribution of labor costs to the three regulated utilities, MPU, WOM and MOSCO, under the two different accounting procedures described in detail in the response to CA-IR-44a. There were no labor charges to MPL's private utilities and therefore none of the labor charges need to be separated.

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-505 (cont.)

The procedure in effect after November 2008 and during the test year ended June 30, 2010 records 100 percent of the labor expenses for work at MPU, WOM and MOSCO directly on the expenses of each company. The procedures in effect in October 2008 and for the period from July 2006 caused the same 100 percent of the labor expenses for work at MPU, WOM and MOSCO to be recorded in six separate accounts. Three of the accounts were on the accounting records of MPU, WOM and MOSCO for work related to the general service territory, customer service and other general maintenance work not related to treatment or other functions of those operations that were being reflected in specific accounts on MPL accounting records. For example, all labor charges related to MPL water treatment operations, which had been recorded on MPU's accounting records before July 2006 and after October 2008 were now recorded on MPL's accounting records in account 615. These costs were then reflected on MPU's expenses as a cost of sales expense. As shown on Exhibit MPU 10.4 and explained in the response to CA-IR-44a, 100 percent of the labor related to MPU was either charged to MPU (prior to July 2006 and after October 2008) or was charged to MPU and to account 615 on MPL's records. The charges for October 2008

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-505 (cont.)

mentioned above for the six entities actually represented three entities with each entity having two parts. For example, for MPU, the charges to MPU and to "MPL Potable" represented 100 percent of the labor charged by the six employees to MPU. The charges to WOM and to "MPL Mountain" represented 100 percent of the labor charged by the six employees to WOM and the charges to MOSCO and "MPL Sewer" represented 100 percent of the labor charged by the six employees to MOSCO.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-506 Please certify that all expenses allocated entirely to MPU, WOM and MOSCO are, in fact, entirely applicable to the three regulated public utilities, and that no portion of the costs claimed are applicable to the operation and maintenance of MPL's private utilities and/or other business activities.

RESPONSE: MPU can certify that the expenses charged and allocated to it are entirely applicable to its regulated operations and that no portion of those costs are applicable to the operations and maintenance of MPL's private utilities and/or other business activities.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

VI. 600-SERIES: WATER QUALITY AND RELIABILITY OF SERVICE

WMA-IR-601 Other than Federal, State, and County regulations governing safety of the water for public health services, provide copies of each and every report in MPU's possession with regard to sedimentation in the water.

RESPONSE: Other than reports required by Federal, State and County regulations governing safety of water for public health services, there are no other reports in MPU's possession with regard to sedimentation in the water.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-601 What is MPU's best/most current understanding as to the source of sediment in the water, which apparently is being captured in filters, in subscribers homes in the service area.

RESPONSE: The Company believes, since tests have shown that the Company's water meets all safety requirements, that any sediment in the water delivered by the Company is normal sedimentation that would be found in any water system of the Company's age, size and capacity.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-603 Describe in detail (using "as built plans," if necessary), the precise point closest point to the processing plant, where water is extracted from the system after exiting the plant, where samples are gathered for reports to governmental agencies.

RESPONSE: The precise point where samples are gathered from the WTP for reports to governmental agencies is the water outflow line (also referred to as the effluent line) from the clearwell 400,000 gallon tank at Puu Nana

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-604 Provide detailed description of the usual points where MPU samples water within the service area, for reporting purposes for public health considerations/compliance with Federal, State, and County water purity purposes.

RESPONSE: Water sample points are spread through out the Company's service territory as evidenced by the listing below:

1. Entry into the WTP
2. Effluent line out of the WTP
3. Effluent out of the 0.4 MG tank at Puu Nana
4. Effluent out of Maunaloa Reservoir
5. Effluent line out of Puuokoli Tank
6. In the Hotel area
7. At the Papahaku Beach Park
8. At Dixie Maru Beach
9. At 20 different specific residential home locations

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-605 Overflows. Describe the means of conveyance and ultimate disposition of water overflow and/or inadvertent discharges from each storage reservoir or tank. Identify overflow pipelines and/or flow paths on scaled map. Are any such flows monitored, measured or metered? If so, describe.

RESPONSE: All of the Company water storage reservoirs or tanks have standard overflow mechanisms which generally include an overflow drainage pipe just above the maximum storage line in the event the storage facility is filled beyond the maximum capacity. In the event there were to be any overflow, it would flow through the overflow pipe, into a spillway near the storage facility and then onto open ground. Such overflows are not expected or experienced in the normal course of operations and therefore are not monitored, measured or metered, but would be stopped as soon as possible once one occurred.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-606 Treatment Plant Discharges. Describe the means of conveyance and ultimate disposition of all non-potable water flows and/or inadvertent discharges produced during the various water treatment processes, stages, operations, etc. Identify discharge pipelines and/or flow paths on a scaled map. Are any such flows monitored, measured or metered? If so, describe.

RESPONSE: WTP discharges consist of backwash discharges and are scheduled by the Company and are based on pump ratings and are measured by automatic equipment. Company personnel monitor the backwash process several times a day as personnel are available.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-607 With regard to physical loss of water, indicate efforts taken by MPU to quantify the amounts lost on the customers' side of the meters, most notably Kaluakoi Golf Course and Kaluakoi Hotel.

RESPONSE: The Company does not monitor or control the loss of water on the customer side of the meter and therefore cannot provide a response to this request. With regard to the Golf Course and Hotel, those entities are shut down and therefore should not have any water loss on the customer side of the meter.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

VII. 700-SERIES: INTER AND INTRA-CORPORATE TRANSACTIONS

WMA-IR-701 Provide a detailed history of the transactions between and among the principals with regard to the acquisition of all facilities incorporated into MPU's water system, and costs related to construction, site preparation, and other capitalized costs, with regard to all plant-in-service, in essence showing a chain of ownership resulting in MPU's ownership of its facilities.

RESPONSE: The Company does not have the data requested and therefore cannot provide a response to this request with regard to the plant installed and in operation prior to 2003. With regard to the plant placed in service after 2003, the Company has provided detailed support in the form of invoice documentation in Attachment CA-IR-24a. It should be noted that the Company did not request a return on rate base in its most recent rate case, Docket No. 02-0371 and the Commission in its Decision and Order No. 20342 in that docket ordered the Company to remove the net plant of \$13,307 from its net plant in service so its test year rate base is zero. In addition, the Commission required the Company to reflect the fully depreciated plant that existed prior to that date of \$4,931,896 as plant in service with an offsetting amount reflected in accumulated depreciation. This reflects that there is no asset included in the

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-701 (cont.)

Company's test year rate base from the initial construction or from
the period prior to 2003.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-702

In Re: Legal Presumption. Hawaii regulatory law presumes the developer recovers all costs of infrastructure (e.g. water distribution system) in the selling prices of the initial sale of parcels within a subdivision, unless extremely well-documented accounting records effectively rebut such presumption. Provide the requests accounting.

RESPONSE:

From your statement above, it appears you are misstating and misapplying the regulatory law. We are assuming that the legal presumption that you are referring to here is the rebuttable presumption created where a developer in certain situations, through the construction of a utility system as part of a real estate development, is presumed to have recouped its construction costs through the sale of the lots or lease rentals, or through other means in the commercial development. However, the presumption does not arise simply based on the existence of a real estate developer and utility company affiliation.

[T]he presumption is triggered only if the facts surrounding a specific case reveal an attempt by a real estate developer to obtain a double recovery of its capital construction costs—once through the sale price of the lots and then again through a rate increase obtained by its wholly owned utility company. . . . [T]he rebuttable presumption that a contribution was made by lot owners, or lessees, for the construction of the utility system arises only if the presence of certain factors, or salient characteristics, reveals an intent by a real estate developer to obtain a double recovery for its

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-702 (cont.)

capital construction costs. . . . These salient characteristics include, but are not limited to:

1. A [utility] system built by the developers servicing a real estate development for a considerable period of time at a rate that is non-compensatory.

2. The formation of a wholly owned subsidiary or affiliate company when the development is complete or nearly complete and the assets and operation of the [utility] system are transferred at no cost to the subsidiary or affiliate.

3. The initial tariff of the [utility] company filed with the regulatory authority shows an increase in rates and charges of two of [sic] three times the prior unregulated rates and charges.

In the Matter of Puhi Sewer & Water Co., 83 Hawai'i 132, 139, 925 P.2d 302, 309 (1996) (citing *In Re Kaanapali Water Corp.*, 5 Haw.App. at 74-75, 678 P.2d at 587, citing the Public Utilities Commission of the State of Hawai'i, Decision and Order No. 7362, at 27 (December 16, 1982)).

Moreover, concerns that prompted the creation of the presumption were partially remedied by the enactment of HRS § 269-7.5. For water systems that begin operating after the effective date of the statute (1978), the first rate that consumers experience will be a previously published, regulated rate. Regardless of whether the Commission must adjust the proposed regulated rate in any particular case because there have been customer contributions to the system, "the problems of violated expectations and

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-702 (cont.)

double recovery will be eliminated in systems controlled by the statute because the initial rate will be ascertainable in advance.” Puhi, 83 Hawai`i at 310, 925 P.2d at 140.

In MPU's case, the factors that may give rise to the presumption are not present. First, the current owners of MPU were not the original developers of the developable lands comprising the service territory for MPU. The current owners of MPU acquired MPU in 2001. Second, there is no history of non-compensatory rates because MPU applied for a CPCN in 1981, which was approved in Decision and Order No. 6834 (October 29, 1981), Docket No. 4112, and requested a determination of its initial rate prior to commencement of business. Third, in MPU's only prior rate case in Docket No. 02-0371 filed on October 11, 2002 as shown in the Commission's Decision and Order No. 20342 issued on July 18, 2003, MPU's plant was almost fully depreciated such that MPU did not seek to earn a return on its then remaining undepreciated rate base balance of \$13,307, which the Commission ordered to be written off and excluded from plant in service in the 2003 test year. Subsequent to 2005, MPU made infrastructure expenditures to bring its water facilities into compliance with the Safe Drinking Water Act by constructing and installing the water treatment plant at Puu Nana. Significantly, MPU (under the present ownership) made these expenditures nearly 25 years after MPU

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-702 (cont.)

had obtained its CPCN and after a majority of the developable real estate in MPU's service area had already been sold. Therefore, it would be inaccurate for WMA to assume or suggest that the developer could have recouped its construction costs of the water treatment plant improvements through the sale of the lots. Therefore, based upon the lack of salient characteristics showing intent by MPU to obtain double recovery of its capital construction costs, coupled with the regulatory scheme of HRS section 269-7.5, the rebuttable presumption is inapplicable to this case.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

VIII. 800-SERIES: TARIFF RATES, RULES, ADJUSTMENT CLAUSES

WMA-IR-801 Provide details, in the form of documentation, with regard to innovative rate designs previously considered by MPU, for introduction and possible use, to its promoting water conservation.

RESPONSE: The Company has considered tiered rates for conservation in the past. In fact, it proposed several tiered rates in its application in the 2003 rate case. MPU's proposal was not adopted by the Commission in that proceeding, and only a rate in excess of 5,000 gals per day (150,000 gallons per month for residential customers was allowed. Since implementation of the tiered rates, MPU has found that only a couple of customers who conduct farming enterprises on subdivided residential lots at Kaluakoi (which is a prohibited practice on these lots under the subdivision approval granted to the developer) use sufficient water to be subject to the conservation rate at certain times during the year.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-802

Re: MPU's obligation to provide agricultural water to agricultural lots in its service area, what proposal does MPU have to fulfill its obligation and still recover its costs by innovative rate design

RESPONSE:

MPU has not received any request for an agricultural rate under HRS § 269-26.5, and therefore does not have any obligation to provide an agricultural rate to any customer in its service territory. In addition, there is an explicit exclusion for all purchasers of lots in the Company's service territory where each land owner must adhere to a policy that they will not conduct agricultural activity on their lots. This was a condition of the subdivision approval from the County of Maui. Despite this regulatory provision, MPU is still providing water to subdivided lot owners who conduct agriculture and leaving the enforcement of the restrictions imposed by the County up to the lot owners and the County.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-803 Provide MPU's estimate of its marginal costs (fixed and variable) of delivery of water to residential customers in its service area.

RESPONSE: The Company has not made any calculation of the marginal costs for any service provided in its service territory and therefore does not have and cannot provide the data requested in this request.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-804 Provide MPU's work papers, cost data, and formulae, used to determine the marginal cost of delivering water to commercial and industrial customers located in MPU's service area. (MPU may use categories of service, indicated by the size of the water access lines/meters, as surrogate to industrial and commercial customers.)

RESPONSE: The Company has not made any calculation of the marginal costs for any commercial or industrial service provided in its service territory and therefore does not have and cannot provide the data requested in this request.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

IX. 900-SERIES: OTHER RATE INCREASE-RELATED MATTERS

WMA-IR-901 State MPU's position with regard to the continuance of its utility service if the rate relief requested in its Amended Application filed June 29, 2009 is not granted in its entirety. (This IR is based on a close reading of MPL and MPU's Public Statements that it will continue to provide service only if rates are, in MPL-MPU's opinion, sufficiently compensatory.)

RESPONSE: MPU is certain the Commission will meet its obligations and provide MPU with the rate relief required for the continued operation of MPU.

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**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-902 Are showers and related facilities located at the public beach access points within the Papahaku Ranchlands metered? If not, why? If yes, identify the entities billed.

RESPONSE: Yes, all water provided at the public beach access points are metered and are billed to the County of Maui.

SPONSOR: Robert O'Brien

**MOLOKAI PUBLIC UTILITIES, INC.'S RESPONSES
TO WEST MOLOKAI ASSOCIATION'S INITIAL
INFORMATION REQUESTS OF WEST MOLOKAI ASSOCIATION**

DOCKET NO. 2009-0048

WMA-IR-903 Identify the firms and/or MPL personnel that operate and maintain the Mountain Water System and the unregulated wastewater systems serving Kualapuu and Maunaloa.

RESPONSE: WOM operates and maintains the mountain water system to provide water to its customers. MOSCO operates the Kualapuu and Maunaloa wastewater systems to the extent required. None of the charges for these operations are included in the MPU expenses in the test year.

SPONSOR: Robert O'Brien

CERTIFICATE OF SERVICE

I (we) hereby certify that copies of the foregoing document were duly served on the following parties, by having said copies delivered as set forth below:

MS. CATHERINE P. AWAKUNI Executive Director Department of Commerce and Consumer Affairs Division of Consumer Advocacy 335 Merchant Street, Suite 326 Honolulu, Hawaii 96813	3 copies Hand Deliver
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MARGERY S. BRONSTER, ESQ. JEANNETTE H. CASTAGNETTI, ESQ. Bronster Hoshibata 2300 Pauahi Tower 1003 Bishop Street Honolulu, HI 96813	1 copy Hand Deliver
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Attorneys for the COUNTY OF MAUI

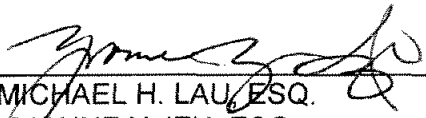
WILLIAM W. MILKS, ESQ. Law Offices of William W. Milks ASB Tower, Suite 977 1001 Bishop Street Honolulu, HI 96813	1 copy Hand Deliver
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Attorney for MOLOKAI PROPERTIES LIMITED

DATED: Honolulu, Hawai'i, November 23, 2009.



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